

Message Text

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ACTION EA-12

INFO OCT-01 NEA-11 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 /102 W
-----118543 030326Z /75

R 301033Z JUN 78
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 7014
INFO AMEMBASSY CANBERRA
AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMCONSUL HONG KONG
AMEMBASSY ISLAMABAD
AMEMBASSY JAKARTA
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY NEW DELHI
AMEMBASSY PORT MORESBY
AMEMBASSY RANGOON
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY VIENTIANE
AMEMBASSY WELLINGTON

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MANILA ALSO FOR USADB

EO 11652: NA
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TAGS: EGEN, ETRD, BEXP
SUBJECT: US PROCUREMENT FROM ASIAN DEVELOPMENT BANK (ADB)

REF: STATE 155300

1. EMBOFFS MET WITH LOCAL REPRESENTATIVES OF AMERICAN CONSULTING-
ENGINEERING FIRMS ALONG WITH EXECUTIVE DIRECTOR OF THE AMCHAM

ON THE QUESTION OF CONTRACT PROCUREMENT OF ADB FINANCIAL PROJECTS. TWO OF THE FIRMS HAVE BEEN ACTING AS CONSULTANTS ON ADB PROJECTS AND THUS WERE IN A GOOD POSITION TO GIVE GERMANE ADVICE ON THE SUBJECT.

2. ALL PARTICIPANTS EXPRESSED SURPRISE TO LEARN THAT US FIRMS HAD DONE AS WELL AS INDICATED BY THE STATISTICS SUPPLIED IN THE REFTEL. MOST THOUGHT THAT GIVEN THE SITUATION, AS THEY SEE IT FROM HERE, US FIRMS COULD EXPECT ONLY MARGINAL IMPROVEMENTS IN THEIR COMPETITION FOR ADB FINANCIAL PROJECTS.

3. THE SINGLE MOST IMPORTANT FACTOR IS THE OFTEN CITED FACT THAT US FIRMS DON'T HAVE TO COMPETE IN THIS MARKET TO REMAIN PROFITABLE. THEY DON'T TRY OR THEY MAKE ONLY APERFUNCTORY EFFORT. ONE PARTICIPANT HANDLING A PORT PROJECT OBSERVED THAT THOUGH THIS PARTICULAR PROJECT HAD BEEN WELL ADVERTIZED IN US TRADE PUBLICATIONS THERE WASN'T A SINGLE US FIRM AMONG THE 34 BIDDERS FOR THE PROJECT. THE SECOND CONSULTING FIRM REPORTED THAT ON A RECENTLY CONTESTED PROJECT THEY WERE HANDLING THERE WERE TWO US FIRMS IN THE FINAL ELIMINATION. THEIR PRICES WERE RIGHT BUT THEY LOST OUT ON THEIR "PRESENTATION." THE WINNING NON-AMERICAN FIRM "CAME EARLY AND STAYED LATE" I.E. IT CLOSELY MONITORED PROJECT DEVELOPMENTS MAKING SURE THAT THEIR PROPOSALS WERE ALWAYS DETAILED, FRESH AND UP-TO-DATE. THE LOSING US FIRMS SENT IN BRIEF PROPOSALS AND LET THEIR CASE REST.

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4. THE PANEL FOUND IT HIGHLY IMPORTANT TO HAVE A PRESENCE IN THE AREA. THE EXCELLENCE OF YOUR REPUTATION OR PRODUCT IS NOT SUFFICIENT IN AN AREA WHERE THE PERSONAL TOUCH IS IMPORTANT. SEVERAL OF THE PANEL MEMBERS ALLUDED TO FACT THAT THEY HAVE WELL CONNECTED LOCAL PARTNERS WITHOUT WHOM THEY WOULD BE VIRTUALLY HELPLESS IN GAINING NEW WORK.

5. ACCORDING TO THE CONSULTANTS, IT IS CLEARLY PASSE' TO USE THE TERM "AMERICAN SPECS" WHEN REFERRING TO A PRODUCT DESIGNED BY AMERICAN CONSULTANTS. EVERYONE USES INTERNATIONAL SPECIFICATIONS THESE DAYS. SO IT IS NO LONGER MUCH OF AN ADVANTAGE FOR A SUPPLIER TO HAVE A PRODUCT DESIGNED BY AN AMERICAN CONSULTING FIRM. HOWEVER, IT IS TRUE THAT US AS WELL AS MANY EUROPEAN MANUFACTURERS DESIGN THEIR PRODUCTS TO EXCEED, BY FAR, SPECIFICATIONS THEY WOULD HAVE TO MEET FOR MOST INTERNATIONAL BIDS. ON THE OTHER HAND THE JAPANESE BIDDERS HAVE BECOME HIGHLY ADEPT AT PRODUCING EQUIPMENT THAT JUST MEETS THE SPECS. THIS CAN RESULT IN AS MUCH AS A 50 PERCENT DIFFERENCE IN PRICE OVER THE EQUIPMENT OFFERED BY THE WESTERN COMPETITION. OF COURSE THE BORROWER ENDS UP PAYING IN THE LONG RUN FOR THIS EARLIER SAVING WHILE THE JAPANESE FIRM HAS HIM LOCKED IN SO FAR AS FUTURE SALES OF SPARES AND REPLACEMENT EQUIPMENT ARE CONCERNED. A POSSIBLE SOLUTION FOR THIS IS A MANDATORY

ELEVATION OF THE SPECIFICATIONS ON BANK SUPPORTED PROJECTS
THAT WOULD TAKE INTO ACCOUNT THE LONGER RANGE OPERATING COSTS
OF THE PROJECT.

6. IN THE MEANTIME, AS ONE PARTICIPANT OBSERVED, US FIRMS,
WITHOUT SACRIFICING THE QUALITY OF THEIR EQUIPMENT, SHOULD TAKE
INTO CONSIDERATION PROBABLE PROFITS TO BE MADE FOR SPARES AND
SERVICES AS AN ELEMENT OF THEIR ORIGINAL ESTIMATE AND ACCORDINGLY
SHAVE THEIR PRICES TO MEET THE COMPETITION.

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7. THE ADVANTAGES PRESUMABLY ACCRUING TO US BIDDERS DUE TO THE DEPRECIATION OF THE DOLLAR VIS-A-VIS THE YEN HAVE NOT OCCURRED DUE TO THE CAUSES CITED ABOVE AS WELL AS TO WHAT A PANEL MEMBER LIMITED OFFICIAL USE

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DESCRIBED AS "GIVE AWAY" FINANCING BY JAPANESE BANKS.

8. OTHER FACTORS MENTIONED BY THE PARTICIPANTS AS AFFECTING THE COMPETITION OF US FIRMS INCLUDED THE WELL EXPLORED TAX DISINCENTIVE PROBLEM. (SECTION 911) ADDITIONALLY, THERE IS THE VITALLY IMPORTANT PHASE WHEN PROSPECTIVE BIDDERS ARE NARROWED DOWN TO A SHORT LIST THAT FAVORS AREA SUPPLIERS. EVEN IF THERE WERE A SIZEABLE NUMBER OF US BIDDERS COMPARED TO OTHERS ONLY ONE AMERICAN FIRM IS LIKELY TO END UP ON THE SHORT LIST.

9. ALTHOUGH THE PARTICIPANTS WERE UNANIMOUSLY PLEASED THAT THE USG WAS TAKING MORE INTEREST IN THIS PROBLEM, THEY WERE SOMEWHAT SHORT ON SUGGESTIONS AS TO WHAT THE USG COULD DO TO HELP REMEDY THE SITUATION. MOST DIDN'T THINK THAT LACK OF INFORMATION WAS A SERIOUS PROBLEM. HOWEVER, IT WAS GENERALLY AGREED THAT THOSE US FIRMS SPECIFICALLY INTERESTED IN ADB PROJECTS WOULD BENEFIT BY RECEIVING REGULAR STATUS REPORTS ON ALL ADB PROJECTS. THOSE PRESENT CONSIDERED THEMSELVES WELL INFORMED ON BANK PROJECTS IN THAILAND BUT THOUGHT THEY COULD USE BETTER INFO ON THE STATUS OF PROJECTS OUTSIDE THE COUNTRY. CERTAINLY IN THIS REGARD THE MORE "ADVANCE" THE INFO THE BETTER. (OF COURSE, THE MORE FIRMS INCLUDED IN ON THE "ADVANCE" INFO, THE LESS ADVANCED IT BECOMES.) ONE PARTICIPANT QUESTIONED WHETHER THE US REP OF ADB WAS DOING ALL HE SHOULD TO PROMOTE US BUSINESS INTEREST EITHER IN THE EARLY WARNING STAGE OR IN SEEING THAT US FIRMS DID NOT SUFFER FROM UNFAIR COMPETITIVE PRACTICES WHEN CONTRACTS WERE AWARDED.

10. ECON OFFICER OLLIE B. ELLISON HAD BEEN DESIGNATED POST ADB PROCUREMENT OFFICER.
O'DONOHUE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROCUREMENT, DEVELOPMENT BANKS, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BANGKO18660
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780273-0821
Format: TEL
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978065/aaaaadwl.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 62bf5087-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 155300
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2318371
Secure: OPEN
Status: NATIVE
Subject: US PROCUREMENT FROM ASIAN DEVELOPMENT BANK (ADB)
TAGS: EGEN, ETRD, BEXP, ADB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/62bf5087-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014